

Milwaukee County Employees' Retirement System (ERS)

Investment Committee Meeting

MINUTES

Members: Sarah Peck Dean Roepke
Linda Bedford Jeffrey Mawicke
John Maier

1. Call to Order:

Chairperson, Sarah Peck called the meeting to order at 2:30 pm, on 8-3-09, in Room 203-P, of the Milwaukee County Courthouse, 901 N. 9th St., Milwaukee, WI. 53233.

2. Roll Call:

Members Present:

Sarah Peck
Jeffrey Mawicke
John Maier
Dean Roepke
Linda Bedford

Others Present:

Mark Grady – Corporation Counsel
Gerald Schroeder – ERS Manager
Brett Christenson-Marquette
Managing Director
Ray Caprio - Marquette
Assistant Vice President
Gordon Mueller - Fiscal Officer
Dale Yerkes - Fiscal Officer Assistant
Alec Montgomery – IFM Executive Director
Monte Tarbox – IFM Client Services Director

Three (3) handouts were provided to the Investment Committee Members and those in attendance:

- Infrastructure Open-Ended Funds: Marquette Associates
- JPMorgan: Infrastructure Investment Fund
- IFM: Introduction to Infrastructure

1.Topic: Marquette: Asset Allocation & Overlay Update

Brett Christenson and Ray Caprio provided a brief update on the status of the fund. Basically, everything is going as planned. No changes in view, with transition contracts in pending status. Overlay funds continue to be transferred into the portfolio, with no changes to the process.

2.Topic: RFP Searches – Update & Scheduling

The RFP Evaluation Panel interviews for Small Cap Value and Emerging Markets have been set up at the Courthouse (Room 303) on 8-24-09. Lunch will be provided by ERS. The interviews will run all day (9:00 am – 5:00 pm), with Small Cap Value in the morning and Emerging Markets in the afternoon. Marquette Associates indicated that we have a strong field and excellent candidates.

Next on the RFP agenda will be Long-Short Equity and Infrastructure. The RFP's for these two have been approved by the Board. Marquette Associates indicated that these two RFP's will have a small universe and will be working between now and the September meeting to initiate the RFP publicly.

3.Topic: Other Investment Services

Discussion took place relating to a proposal letter submitted to ERS by Phillip R. Devlin, Vice President of Wells Fargo. Advance copies of the letter were provided to committee members and Marquette Associates. The letter outlined a Public Funds Premium Market Rate Account that was being offered to ERS. Essentially, the proposal suggests that an estimated 10 million dollars be maintained in a Wells Fargo account for ERS cash disbursements throughout the month. Funds would receive a 0.45% rate of interest.

The Fiscal Officer provided some basic information to the Investment Committee. It was noted that our current rate of interest on ERS cash funds is also 0.45%. No significant benefit exists that would justify such an account being set up with Wells Fargo. The Investment Committee endorsed the proposal to take no action at this time.

4. Topic: Next Investment Committee Meeting

Due to the scheduled September Investment Committee meeting falling on a County minor holiday, it has been rescheduled to 9-8-09 (Tuesday). The time and location will remain the same: Courthouse, Room 203-P at 2:30 PM.

5. Topic: Education – Infrastructure & IFM Presentation

Marquette Associates briefed the committee on some key comparisons between IFM and J.P. Morgan (page 11), as well as, the difference between an open ended structure versus a closed end structure for investing in Infrastructure. When comparing Total Returns (Net of Fees), it is important to realize that the difference between IFM's YTD of -12.8% and J.P.Morgan's YTD of 5.6% is:

- IFM has 40% in UK assets, returns of the International Infrastructure Fund
- IFM reports returns that are net of hedging
- J.P. Morgan is a newer fund
- J.P. Morgan estimates 0.5% income and a 10% currency effect

Industry Funds Management (IFM) provided an Infrastructure Presentation to the Investment Committee, for educational purposes. IFM is a New York based company, in business for the last 15 years.

Infrastructure investments are operating companies made up of hard assets with monopoly characteristics, high barriers to entry, inelastic demand curve and a long life. These characteristics provide for stable earnings, inflation protection, and lower correlation with other asset classes. The cash flow yield is a major component of return that can offset low fixed income returns in a moderate/high interest rate environment.

A benefit to Infrastructure investing is that hard assets can be leveraged, like real estate. Regulations can be a major consideration and a factor to consider. Demand and usage is used to project revenues. Often infrastructure can have an indefinite life.

The level of risk is aligned to the type of deals being pursued. Mature assets relate to businesses already built and have a modest-risk level. Rebuilt or rehabilitated facilities have a medium-risk level. Construction of a new facility has a high-risk level associated with it. A good infrastructure investment would have the following characteristics:

- Regulated revenues
- Inflation protection
- Good structure
- Modern facility
- Health & Safety Compliance
- Good management
- Solid Labor relations
- Potential for future investment

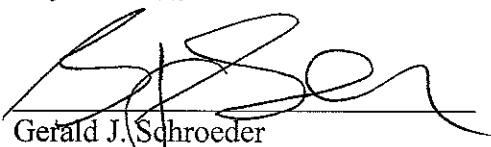
In addition, IFM indicated that they look for mature assets, large volume countries, stable economies and a conservative investment philosophy. IFM requires a seat on the Board for some control and is open to consortium ownership.

IFM supports the "adjustment over time process", when investing large assets. Usually a six-month approach is good. Drawing down immediately is a high-risk approach that is not recommended.

The IFM Cash Flow Fund is strong, A ten-year forecast indicates a 6-8% return. The S&P has yielded a 2% return.

The Investment Committee requested that Marquette Associates provide additional information on the IFM long-range returns projection of 6-8%. More details are needed in order for the committee to properly assess the realistic returns potential

6. Adjournment: The Investment Committee adjourned at 4:40 pm.


Gerald J. Schroeder
ERS Manager